

Insourcing, Union Strategies, and the Restructuring of Work: An Analysis of 15 Auto Parts Suppliers Plants in the US and Canada



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Context



What we know since the 1980s:

The decentralization of collective bargaining as a response to competitive challenges (Katz, 1993), and the development of microcorporatism inside plants (Wells, 1997, 2001)

The bargaining of a “new” social contract: from wages to job issues (Bélanger and Thuderoz, 1998).

Strong business case for outsourcing and modularization initiated by OEMs since the 1990s (Jacobides et al., 2016).

Research questions



In the following of the 2008 crisis, GM, Ford, and Chrysler re-insourced plants or functions that were formerly spun-off. In that context:

1. What is the rationale for insourcing?
2. What is the impact on local unions and working conditions?
3. Are there differences between stable in-house, spun-off, and insourced plants? And between US and Canada?
4. What does it mean for workers' representation?

Research design



15 cases in the US and Canada.

Four types of plants: 1. Insourced; 2. Spun-off; 3. Stable in-house; 4. *In situ* outsourcing

Over 72 interviews with unionists, managers, and retirees.

Where available: a comprehensive gathering and analysis of collective bargaining agreements.

Why insourcing happens?



Control: senior managers confirmed that the control of assets or specific plants were a concern after disastrous experiences of being held “in-hostage” (e.g. Delphi spin-off, American Axle).

The magnitude of the production: Lockport, NY

Just-in-time concerns: Guelph, ON

Cost: Labor costs have been lowered in insourced plants, business case for outsourcing thus weakened: direct concessions associated with insourcing, two tiers, VEBA, DB to DC or 401(K)/RRSP.

Historical contingencies: crisis management in ‘08-09 precipitated the creation of new divisions: GMCH, ACH, CPK.

What about local bargaining?



One striking finding: local bargaining surprisingly matters little, especially in the US.

Why?

1. Recentralization of CB during the crisis.
2. A certain exhaustion of productivity improvements through concessions.

Union strategies: The emergence of lobbying



1. CBAs sections on insourcing/outsourcing:

The 'Business Review Team' for product allocation in the UAW national agreements.

Local letters of understanding for skilled trades tasks can be used to insource functions or work allocated to third parties (e.g. Buffalo stamping).

2. Lobbying for investment or programs: through informal channels, lobbying high level management and union executives to allocate work. Local management are using union channels (e.g. Lockport).

3. Implementation of lean practices (e.g. IUE strategy).

4. Building business cases: arguing for investments or insourcing of functions as a consequence of lower labor costs (e.g. Sainte-Catharines, Ford Essex).

5. Bargaining for *in situ* outsourcing (e.g. Penske Windsor; Lockport suppliers park)

The limits of lobbying



Centralization and lost of local capacities (e.g. Spring Hill).

Weakened bargaining position (e.g. IUE in the Dayton area).

National leadership does not have the capacity to respond to all local demands. Locals do not have all the same network.

Being an IPS narrows insourcing possibilities (e.g. Mahle, Tenneco, CPK, AA, Nematik etc).

Differences and similarities between Canada and the US



A striking level of similarities in terms of strategies: both unions are using lobbying strategies and are keen at implementing management-driven measures.

More surprising: UAW are a bit more critical of the “new world” of bargaining.

Partial explanation: Two tier has been in place for a longer time in the US, creating tensions in the workplaces.

Two contrasting examples:

Tonawanda : 9 tier workplace, creation of “Solidarity Committees” inside the plant.

Sainte-Catharines: “In-progression” as an argument to win new work.

Differences and similarities between Canada and the US



Reduction of classifications: most of the plants have experienced a reductions in classifications (+30 to -10)

Wages: direct concessions in the US led some plants in a totally different cost structure than prior to '08

E.g.: Tenneco, OH. From around 20\$ an hour (2003) to 14\$ an hour (2017) for a production worker

Unifor has used reductions in benefits rather than wage concessions (exception so far: Nematik Windsor)

Tier: multiple tier workforce in the US, while in Canada, it's generally limited to: legacy, grow-in, and temps

What we still need to do



CBA's analysis.

Evolution of total in-house value-added for the Detroit Three.

Capital vs Labor shares: Is *Kapital* winning against workers?

Conclusions



Rationale for insourcing: control, cost, historical contingencies.

Local bargaining matters less; lobbying matters more. The importance of power and politics inside MNCs (Clegg, Geppert and Hollinshead, 2018). Conflicts over centralization in MNCs.

Especially in the US: stable in-house, insourced, spun-off plants, and *in situ* outsourcing are associated with lower wages, more flexibility (reduced classifications), and reduced benefits.

Informal channels and powers are important, but insufficient for (all) local unions to get influence.

Risk for union representation: confusion of role between workers' representatives and managers.